

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



54TH DISTRICT AGRICULTURAL ASSOCIATION
COLORADO RIVER COUNTRY FAIR
BLYTHE, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

AUDIT REPORT #09-052
FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

54TH DISTRICT AGRICULTURAL ASSOCIATION
COLORADO RIVER COUNTRY FAIR
BLYTHE, CALIFORNIA

INDEPENDENT AUDITOR'S REPORT
AND FINANCIAL STATEMENTS

FOR THE YEARS ENDED
DECEMBER 31, 2008 AND 2007

AUDIT STAFF

Ron Shackelford, CPA
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Audit Chief
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Auditor

AUDIT REPORT NUMBER

#09-052

54TH DISTRICT AGRICULTURAL ASSOCIATION
COLORADO RIVER COUNTRY FAIR
BLYTHE, CALIFORNIA

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Dan Smith, President
Board of Directors
54th DAA, Colorado River Country Fair
11995 Olive Lake Blvd.
Blythe, California 92225

INDEPENDENT AUDITOR'S REPORT

We have audited the accompanying statements of financial condition of the 54th District Agricultural Association (DAA), Colorado River Country Fair, Blythe, California, as of December 31, 2008 and 2007, and the related statements of operations and changes in accountability, and cash flows-regulatory basis for the years then ended. These financial statements are the responsibility of the 54th DAA's management. Our responsibility is to express an opinion on these financial statements based on our audits.

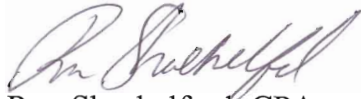
We have conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 54th DAA, Colorado River Country Fair, as of December 31, 2008 and 2007, and the results of its operations and changes in accountability, and cash flows-regulatory basis for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The 54th DAA, Colorado River Country Fair has not presented the Management's Discussion and Analysis, which the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Management Report #09-052, on the 54th DAA's compliance with State laws and regulations and system of internal accounting control, is issued solely for the purpose of additional analysis and should be addressed by the 54th DAA as appropriate. This additional report, however, is not a required part of the basic financial statements.

A handwritten signature in dark ink, appearing to read "Ron Shackelford", is positioned above the printed name.

Ron Shackelford, CPA
Chief, Audit Office

September 8, 2009

**54TH DISTRICT AGRICULTURAL ASSOCIATION
COLORADO RIVER FAIR
BLYTHE, CALIFORNIA**

STATEMENTS OF FINANCIAL CONDITION
Years Ended December 31, 2008 and 2007

	<u>Account Number</u>	<u>2008</u>	<u>2007</u>
ASSETS			
Cash in Bank	111 - 117	\$ 30,229	\$ 48,224
Accounts Receivable, Net	131	34,328	35,742
Construction in Progress	190	5,617	4,068
Land	191	71,241	71,241
Buildings and Improvements, Net	192	693,371	709,167
TOTAL ASSETS		<u>834,786</u>	<u>868,442</u>
LIABILITIES AND NET RESOURCES			
Liabilities			
Insurance Fees Collected	211	1,445	1,356
Accounts Payable	212	10,765	23,897
Current Portion of Long Term Debt	212.5	16,872	12,555
Taxes Payable	221 - 226	1,733	6,735
Deferred Income	228	114,539	116,571
Guaranteed Deposits	241	18,904	10,039
Compensated Absences Liability	245	18,834	25,349
Long Term Debt	250	10,330	25,110
Total Liabilities		<u>193,422</u>	<u>221,612</u>
Net Resources			
Net Resources - Operations	291	(101,662)	(99,981)
Net Resources - Capital Assets, Less Related Debt	291.1	743,026	746,811
Total Net Resources Available		<u>641,364</u>	<u>646,830</u>
TOTAL LIABILITIES AND NET RESOURCES		<u>\$ 834,786</u>	<u>\$ 868,442</u>

**54TH DISTRICT AGRICULTURAL ASSOCIATION
COLORADO RIVER FAIR
BLYTHE, CALIFORNIA**

STATEMENTS OF OPERATIONS/CHANGES IN ACCOUNTABILITY
Years Ended December 31, 2008 and 2007

	Account Number	2008	2007
REVENUE			
State Apportionments	312	\$ 180,000	\$ 180,000
Other F& E Project Funds	318	40,000	40,000
Other	340	44,425	30,609
Admissions	410	59,936	56,268
Carnival	421	49,658	56,232
Food Concessions	422	29,522	30,313
Exhibits	430	2,389	1,841
Miscellaneous Fair	470	48,395	48,625
Non-Fair Revenue	480	98,900	118,097
Prior Year Revenue	490	-	4,831
Total Revenue		553,225	566,816
EXPENSES			
Administration	500	200,286	205,231
Maintenance and Operations	520	222,687	194,566
Publicity	540	4,863	4,583
Attendance	560	7,949	8,300
Miscellaneous Fair	570	16,706	22,421
Premiums	580	8,020	6,366
Exhibits	630	5,110	5,948
Fair Entertainment	660	26,850	25,395
Prior Year Adjustments	800	(2,087)	15,019
Cash Over/Short from Ticket Sales	850	(56)	144
Depreciation Expense	900	64,617	67,301
Other Expenses (F&E)	920-934	3,746	20,591
Total Expenses		558,691	575,865
RESOURCES			
Net Change - Income / (Loss)		(5,466)	(9,049)
Resources Available, January 1		646,830	655,879
Resources Available, December 31		\$ 641,364	\$ 646,830

**54TH DISTRICT AGRICULTURAL ASSOCIATION
COLORADO RIVER FAIR
BLYTHE, CALIFORNIA**

**STATEMENTS OF CASH FLOWS - REGULATORY BASIS
Years Ended December 31, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of Revenue Over Expenses (Expenses Over Revenue)	\$ (5,466)	\$ (9,049)
Adjustment to Reconcile Excess of Revenue Over Expenses to Net Cash Provided by Operating Activities:		
(Increase) Decrease in Accounts Receivable	1,414	(22,291)
Increase (Decrease) in Insurance Fees Collected	89	711
Increase (Decrease) in Taxes Payable	(5,002)	(12,240)
Increase (Decrease) in Deferred Income	(2,032)	-
Increase (Decrease) in Accounts Payable	(13,132)	(2,137)
Increase (Decrease) in Compensated Absence Liability	(6,515)	(334)
Increase (Decrease) in Guaranteed Deposits	8,865	(2,636)
Total Adjustments	<u>(16,313)</u>	<u>(38,927)</u>
Net Cash Provided (Used) by Operating Activities	<u>(21,779)</u>	<u>(47,976)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
(Increase) Decrease in Buildings & Improvements, Net	15,796	37,991
(Increase) Decrease in Equipment, Net	-	-
(Increase) Decrease in CIP	(1,549)	(4,068)
Net Cash Provided (Used) by Investing Activities	<u>14,247</u>	<u>33,923</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in Long-Term Liability	(10,463)	(13,601)
Increase (Decrease) in PERS Liability	-	(18,957)
Net Cash Provided (Used) by Financing Activities	<u>(10,463)</u>	<u>(32,558)</u>
NET INCREASE (DECREASE) IN CASH	(17,995)	(46,611)
Cash at Beginning of Year	48,224	94,835
CASH AT END OF YEAR	<u><u>\$ 30,229</u></u>	<u><u>\$ 48,224</u></u>

**54TH DISTRICT AGRICULTURAL ASSOCIATION
COLORADO RIVER COUNTRY FAIR
BLYTHE, CALIFORNIA**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2008 and 2007

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization - The 54th District Agricultural Association (DAA) was formed for the purpose of sponsoring, managing, and conducting the Colorado River Country Fair each year in Blythe, California. The State of California, Department of Food and Agriculture, through the Division of Fairs and Expositions provides oversight responsibilities to the DAA. The DAA is subject to the policies, procedures, and regulations set forth in the California Government Code, California Business and Professions Code, Public Contracts Code, Food and Agricultural Code, State Administrative Manual, and the Accounting Procedures Manual established by the Division of Fairs and Expositions.

The State of California allocates funds annually to the DAAs to support operations and acquire fixed assets. However, the level of State funding varies from year to year based on budgetary constraints. The Division of Fairs and Expositions determines the amount of the allocations.

Basis of Accounting - The accounting policies applied to and procedures used by the DAA conform to accounting principles applicable to District Agricultural Associations as prescribed by the State Administrative Manual and the Accounting Procedures Manual. The DAA's activities are accounted for as an enterprise fund. The Governmental Accounting Standards Board (GASB) defines an enterprise fund as a fund related to an organization financed and operated in a manner similar to a private business enterprise where the intent is to recover the costs of providing goods or services to the general public primarily through user charges. Pursuant to GASB Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Account, the DAA has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989, that do not conflict with or contradict GASB pronouncements.

The DAA's financial activities are accounted for using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) as promulgated by the Governmental Accounting Standards Board. Thus, revenues are reported in the year earned

rather than collected, and expenses are reported in the year incurred rather than paid.

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes – The DAA is a state agency and therefore, is exempt from paying taxes on its income.

Cash and Cash Equivalents - The DAA's cash and cash equivalents are separately held in various local banks. The Financial Accounting Standards Board defines cash equivalents as short-term, highly liquid investments that are both: (1) readily convertible to known amounts of cash; and (2) so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. The cost of all cash equivalents of the DAA approximates market value.

The California State Treasury makes available the Local Agency Investment Fund (LAIF) through which local governments may pool investments. Each governmental entity may invest up to \$40,000,000 in the fund. Investments in the LAIF are highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

In accordance with the Accounting Procedures Manual, the DAA is authorized to deposit funds in certificates of deposit and interest bearing accounts. However, Government Code Sections 16521 and 16611 require the bank or savings and loan association to deposit, with the State Treasurer, securities valued at 110 percent of the uninsured portion of the funds deposited with the financial institution. Government Code Sections 16520 and 16610 provide that security need not be required for that portion of any deposit insured under any law of the United States, such as FDIC and FSLIC.

Inventories – Inventories, if any, consists primarily of souvenir items sold during fair time, and is stated at cost.

Property and Equipment - Construction-in-progress, land, buildings and improvements, and equipment are acquired with operating funds and funds allocated by the State. Any acquired assets, if greater than \$5,000 and a useful life of one or more years, are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the asset. Buildings and improvements are depreciated over 30 years, and purchases of equipment are depreciated over five years. Costs of repair and maintenance are expensed as incurred by the DAA. Furthermore, donated building improvements, and equipment are recorded at their fair market value at the date of the gift. This recorded basis is depreciated over the

useful lives identified above. The costs of projects that have not been placed in service are recorded in Account #190, Construction-in-Progress, and no depreciation is recorded on Construction-in-Progress until the project is completed and the asset is placed in service.

Compensated Absences - Pursuant to Statement No. 16 of the Governmental Accounting Standards Board, State and local governmental entities are required to report the liability for compensated absences. Compensated absences are absences for which permanent employees will be paid, such as vacation, personal leave, and compensatory time off. The compensated absences liability is calculated based on the pay rates in effect at the balance sheet date.

NOTE 2 NEW ACCOUNTING STANDARDS

In July 2004, the GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, ("GASB Statement No. 45"). This statement establishes standards for the measurement, recognition, and display of postretirement benefits other than pensions expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information in the financial reports of state and local governmental employers. The statement becomes effective for the District for periods beginning after December 15, 2007. Management has not determined the effect of GASB Statement No. 45 on the combined financial statements.

In September 2006, the GASB issued Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Receivables and Future Revenues*, ("GASB Statement No. 48"). GASB Statement No. 48 establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. The criteria should be used to determine the extent to which a transferor government either retains or relinquishes control over the receivables or future revenues through its continuing involvement with those receivables or future revenues. This Statement establishes that a transaction will be reported as a collateralized borrowing unless the criteria indicating that a sale has taken place are met. If it is determined that a transaction involving receivables should be reported as a sale, the difference between the carrying value of the receivables and the proceeds should be recognized in the period of the sale in the change statements. If it is determined that a transaction involving future revenues should not be reported as a sale, the revenue should be deferred and amortized, except when specific criteria are met. This Statement also provides additional guidance for sales of receivables and future revenues within the same financial reporting entity. This statement is effective for periods beginning after December 15, 2006. Adoption of this statement did not have a material impact on the combined financial statements.

In November 2006, the GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, (“GASB Statement No. 49”). GASB Statement No. 49 requires governmental entities to report pollution remediation costs in their financial statements. It identifies five obligating events under which the government should estimate the expected obligations for pollution remediation. Under the standard, liabilities and expenses will be estimated using an “expected cash flows” measurement technique, which will be employed for the first time by governments. Further, the standard requires that governments disclose information about their pollution remediation obligations associated with clean-up efforts in the notes to the financial statements. GASB Statement No. 49 will be effective for financial statements with periods beginning December 15, 2007, but liabilities should be measured at the beginning of that period so that beginning net assets can be restated. Management has not determined the effect of GASB Statement No. 49 on the combined financial statements.

In May 2007, the GASB issued Statement No. 50, *Pension Disclosures*, (GASB Statement No. 50”). GASB Statement No. 50 more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (“OPEB”) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (“RSI”) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, (“GASB Statement No. 25”), and No. 27, *Accounting for Pensions by State and Local Governmental Employers*, (“GASB Statement No. 27”) to conform with requirements of Statements No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, (“GASB Statement No. 43”) and No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, (“GASB Statement No. 45”). GASB Statement No. 50 will be effective for financial statements with periods beginning after June 15, 2007. Management has not determined the effect of GASB Statement No. 50 on the combined financial statements.

In July 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, (“GASB Statement No. 51”). GASB Statement No. 51 requires that intangible assets be classified as capital assets (except for those explicitly excluded from the scope of the new standard, such as capital leases). GASB Statement No. 51 will be effective for financial statements with periods beginning after June 15, 2009. Management has not determined the effect of GASB Statement No. 51 on the combined financial statements.

NOTE 3 **CASH AND CASH EQUIVALENTS**

The following list of cash and cash equivalents were held by the DAA as of December 31:

	<u>2008</u>	<u>2007</u>
Petty Cash	\$ 125	\$ 125
Cash in Bank - Operating	<u>30,104</u>	<u>48,099</u>
Total Cash and Cash Equivalents	<u>\$ 30,229</u>	<u>\$ 48,224</u>

NOTE 4 **ACCOUNTS RECEIVABLE**

The DAA is required to record an allowance for doubtful accounts based on estimates of collectability.

	<u>2008</u>	<u>2007</u>
Accounts Receivable	\$ 52,715	\$ 58,571
Allowance for Doubtful Accounts	<u>(18,387)</u>	<u>(22,829)</u>
Accounts Receivable - Net	<u>\$ 34,328</u>	<u>\$ 35,742</u>

NOTE 5 **PROPERTY AND EQUIPMENT**

Buildings and improvements, and equipment at December 31, 2008 and 2007 consist of the following:

	<u>2008</u>	<u>2007</u>
Building & Improvements	\$ 2,123,308	\$ 2,074,488
Less: Accumulated Depreciation	<u>(1,429,937)</u>	<u>(1,365,321)</u>
Building & Improvements - Net	<u>\$ 693,371</u>	<u>\$ 709,167</u>
Equipment	\$ 52,194	\$ 52,194
Less: Accumulated Depreciation	<u>(52,194)</u>	<u>(52,194)</u>
Equipment - Net	<u>\$ -</u>	<u>\$ -</u>

NOTE 6 **LONG-TERM DEBT**

The DAA has entered into a long-term loan agreement with California Construction Authority (CCA) to finance the Photovoltaic power-generating project on the fairgrounds. The terms of the agreement are as follows:

CCA Photovoltaic Loan:

Loan Amount	\$ 100,440
-------------	------------

First Payment Date	March 2003
Payment Amount	\$ 1,046
Duration of Loan	96 Months
Interest Rate	Zero, Principle Only
Total Outstanding at 12/31/08	\$ 27,202
Current Portion at 12/31/08	\$ 16,872
Long-Term Portion at 12/31/08	\$ 10,330

NOTE 7

RETIREMENT PLAN

Permanent employees of the DAA are members of the Public Employees' Retirement System (PERS), which is a defined benefit contributory retirement plan. The retirement contributions made by the DAA and its employees are actuarially determined. Contributions plus earnings of the Retirement System will provide the necessary funds to pay retirement costs when accrued. The DAA's share of retirement contributions is included in the cost of administration. For further information, please refer to the annual single audit of the State of California.

Retirement benefits fully vest after five years of credited service for Tier I employees. Retirement benefits fully vest after ten years of credited service for Tier II employees. Upon separation from State employment, members' accumulated contributions are refundable with interest credited through the date of separation. The DAA, however, does not accrue the liability associated with vested benefits.

The Alternate Retirement Program (ARP) is a retirement savings program that certain employees hired on or after August 11, 2004 are automatically enrolled in for their first two years of employment with the State of California. ARP is administered by the Savings Plus Program with the Department of Personnel Administration and invests funds in a fixed-income fund. ARP provides two years of retirement savings (five percent of paycheck amount each month) in lieu of two years of service credit. At the end of the two-year period, the deductions are placed in CalPERS and the retirement service credit begins.

Temporary, 119-day, employees of the DAA participate in the Part-Time, Seasonal, Temporary (PST) Retirement Plan. The PST Retirement Plan is a mandatory deferred compensation plan under which 7.5% of the employee's gross salary is deducted before taxes are calculated. These pre-tax dollars are placed in a guaranteed savings program. The employee has the option of leaving these funds on deposit upon separation, or requesting a refund.

NOTE 8

RECLASSIFICATION

Certain prior-year balances have been reclassified to conform to current year presentation. This reclassification did not have an effect on net income.

**54th DISTRICT AGRICULTURAL ASSOCIATION
COLORADO RIVER COUNTRY FAIR
BLYTHE, CALIFORNIA**

REPORT DISTRIBUTION

<u>Number</u>	<u>Recipient</u>
1	President, 54th DAA Board of Directors
1	Chief Executive Officer, 54th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office

CALIFORNIA DEPARTMENT OF FOOD AND AGRICULTURE

AUDIT OFFICE



54TH DISTRICT AGRICULTURAL ASSOCIATION
COLORADO RIVER COUNTRY FAIR
BLYTHE, CALIFORNIA

MANAGEMENT REPORT #09-052

YEAR ENDED DECEMBER 31, 2008

54TH DISTRICT AGRICULTURAL ASSOCIATION
COLORADO RIVER COUNTRY FAIR
BLYTHE, CALIFORNIA

MANAGEMENT REPORT
YEAR ENDED DECEMBER 31, 2008

AUDIT STAFF

Ron Shackelford, CPA
Shakil Anwar, CPA
Michelle Chan

Audit Chief
Assistant Audit Chief
Auditor

MANAGEMENT REPORT NUMBER
#09-052

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CALIFORNIA DEPARTMENT OF
FOOD & AGRICULTURE

A. G. Kawamura, Secretary

Dan Smith, President
Board of Directors
54th DAA, Colorado River Country Fair
11995 Olive Lake Blvd.
Blythe, California 92225

In planning and performing our audit of the financial statements of the 54th District Agricultural Association (DAA), Colorado River Country Fair, Blythe, California, for the year ended December 31, 2008, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In addition, this Management Report includes: (1) matters other than those related to the internal control structure which came to our attention that could, in our judgment, either individually or in the aggregate, have a significant effect on the entity's financial reporting process (e.g., accounting errors, significant audit adjustments, etc.), and (2) areas of non-compliance by the Colorado River Country Fair with respect to State laws and regulations, with the Accounting Procedures Manual, and with established policies and procedures.

In accordance with Government Code Section 13402, Fair managers and Board of Directors are responsible for the establishment and maintenance of a system or systems of internal accounting and administrative control within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

Due to the small size of the 54th DAA's office staff, it is not practical to have the degree of segregation of duties possible in a larger organization. Therefore, the Board of Directors must consider this when determining the extent that the Board becomes involved in operations to adequately safeguard the 54th DAA's assets. The system of internal control should provide the Board of Directors and management reasonable, but not absolute,



assurance that: (1) only authorized transactions are executed; (2) transactions are properly recorded in the accounting records; and (3) material errors and irregularities that may occur, will be detected by the 54th DAA in a timely manner during the normal course of operations. In this regard, it is particularly important that the Board review and approve significant transactions and critically review monthly financial information. The 54th DAA's minimum staffing was one factor considered in determining the nature, timing, and extent of the tests to be performed on the 54th DAA's accounting procedures, records, and substantiating documents.

During our audit of the internal control structure of the 54th DAA and compliance with state laws and regulations, we identified two areas with reportable conditions that are considered weaknesses in the Fair's operations: cash receipting procedures and independent contractors. We have provided three recommendations to improve the operations of the Fair. The Fair must respond in writing on how these recommendations will be implemented.

We also identified additional areas containing non-reportable conditions. These conditions and accompanying recommendations are not considered significant weaknesses. We have included these items solely for the benefit of the 54th DAA's management. We suggest the Fair implement the recommendations as soon as practicable. The Fair, however, is not required to provide written responses to the recommendations for non-reportable conditions.

REPORTABLE CONDITIONS

CASH RECEIPTING PROCEDURES

An examination of the Fair's cash receipts identified the following internal control weakness:

- a. The Fair did not always deposit cash receipts in a timely manner. According to the Accounting Procedures Manual (APM) § I, 2.331, timely deposits of cash receipts are essential to mitigate the possibility of a loss of funds by the Fair. Moreover, fairs are required to make bank deposits the next business day when currency exceeds \$500 or when cash in the aggregate exceeds \$5,000. No collection should remain undeposited for more than fifteen business days. Our office noted the Fair allowed some deposits to exceed the threshold without making a bank deposit the next business day.
- b. On occasion, the Fair allowed the transportation of coin and currency to the bank in excess of \$3,000 by a single employee. According to the State Administrative Manual (SAM), a single employee will not transport coin and currency in excess of \$3,000 at one time for deposit.

Recommendations

1. *The Fair should ensure that cash receipts are deposited within the timeframes specified in the APM. The timely deposit of cash receipts helps minimize the risk of loss or other misuses of the cash or cash equivalents collected.*
2. *The Fair should comply with SAM and ensure that no coin and currency in excess of \$3,000 is transported by a single employee.*

INDEPENDENT CONTRACTORS

A review of the Standard 210 Agreements revealed that the Fair did not complete the required Employment Development Department (EDD) DE 542 form for independent contractors. The Fair is required to report to EDD within 20 days of paying or contracting for \$600 or more with an independent contractor in any calendar year by submitting Form DE 542. According to EDD, any business or government entity that is required to file a federal Form 1099-MISC for services received from an independent contractor is required to report specific independent contractor information to EDD. This information is used by EDD to locate parents who are delinquent in their child support obligations.

Recommendation

3. *The Fair should comply with the State Senate Bill 542, which requires entities to report specified information to EDD on independent contractors within 20 days of either making payments totaling \$600 or more or entering into a contract in any calendar year, whichever is earlier, to avoid penalty for failure to comply within the required timeframe.*

NON-REPORTABLE CONDITIONS

ACCOUNTS RECEIVABLE

An examination of the Fair's accounts receivable identified the following internal control weaknesses:

- a. The Fair did not establish an allowance for doubtful accounts at year-end for approximately \$2,346 that was deemed uncollectible. According to the Accounting Procedures Manual (APM), an allowance for doubtful accounts should be recognized in the accounting records when an account is deemed uncollectible. This process presents the Fair's assets more accurately. This was a prior year audit finding.
- b. The Fair has a minor amount in uncollectible amounts that are individually less than \$250. Section I, 2.453 of the APM states that the Fair may write off amounts up to \$250 with Board approval.
- c. The Fair did not establish two accounts receivable balances at year-end totaling less than \$500. These balances consist of amounts due from interim rentals that have not been collected. As a result, accounts receivable was understated by \$150 at year-end.

Recommendations

The Fair should exhaust all means of collection and then record any receivable that is considered uncollectible in Account #131.1, Allowance for Doubtful Accounts. The Fair should monitor all outstanding account balances on a timely basis to evaluate collectability. Furthermore, the Fair should begin the process of removing uncollectible accounts by filing for discharge of accountability with the Division of Fairs and Expositions (F&E).

The Fair should write off amounts up to \$250 with approval from the Board of Directors. For amounts greater than \$250, the Fair should obtain F&E approval.

The Fair should ensure that all accounts receivable are properly recorded for accurate financial reporting.

DISTRICT AGRICULTURAL ASSOCIATION'S RESPONSE

54th District Agricultural Association
Colorado River Fair
591 N. Olive Lake Blvd
Blythe, CA 92225
Phone (760) 922-3247 Fax (760) 922-6196
crfb@verizon.net www.coloradoriverfair.com

November 25, 2009

Ron Shackelford CPA, Audit Chief
CDFA Audit Office
1220 N. Street, Room 344
Sacramento, CA 95814

Dear Mr. Shackelford:

In response to the reportable findings in the audit of the 54th District Agricultural Association for 2008 we submit the following plans to implement the recommendations:

CASH RECEIPTING PROCEDURES

An examination of the Fair's cash receipts identified the following internal control weakness:

- a. The Fair did not always deposit cash receipts in a timely manner. According to the Accounting Procedures Manual (APM) I, 2.331, timely deposits of cash receipts are essential to mitigate the possibility of a loss of funds by the Fair. Moreover, fairs are required to make bank deposits the next business day when currency exceeds \$500 or when cash in the aggregate exceeds \$5,000. No collection should remain undeposited for more than fifteen business days. Our office noted the Fair allowed some deposits to exceed the threshold without making a bank deposit the next business day.
- b. On occasion, the Fair allowed the transportation of coin and currency to the bank in excess of \$3,000 by a single employee. According to the State Administrative Manual (SAM), a single employee will not transport coin and currency in excess of \$3,000 at one time for deposit.

Recommendations

1. *The Fair should ensure that cash receipts are deposited within the timeframes specified in the APM. The timely deposit of cash receipts helps minimize the risk of loss or other misuses of the cash or cash equivalents collected.*
2. *The Fair should comply with SAM and ensure that no coin and currency in excess of \$3,000 is transported by a single employee.*

Response:

1. *Currently when the Fair receives cash there is receipt generated then the cash is locked away in the safe to prevent any risk of loss or other misuses of the cash. The Fair will put every effort into timely depositing any cash that accumulates that exceeds \$500.*
2. *The only time coin or currency in excess of \$3,000 is transported by a single employee is when the CEO makes midnight deposits during the four day Fair. These deposits are only made with a police escort, but because of the time and the limited staff, only the CEO makes these deposits. All other handling of coin and currency in excess of \$3,000*

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is transported by two employees. The Fair will make every effort to be sure that an additional employee accompanies the CEO and the police escort on the late night deposits.

INDEPENDENT CONTRACTORS

A review of the Standard 210 Agreements revealed that the Fair did not complete the required Employment Development Department (EDD) DE 542 form for independent contractors. The Fair is required to report to EDD within 20 days of paying or contracting for \$600 or more with an independent contractor in any calendar year by submitting Form DE 542. According to EDD, any business or government entity that is required to file a federal Form 1099-MISC for services received from an independent contractor is required to report specific independent contractor information to EDD. This information is used by EDD to locate parents who are delinquent in their child support obligations.

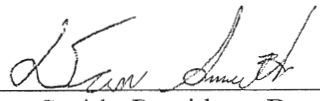
Recommendation

3. *The Fair should comply with the State Senate Bill 542, which requires entitles to report specified information to EDD on independent contractors within 20 days of either making payments totaling \$600 or more or entering into a contract in any calendar year, whichever is earlier, to avoid penalty for failure to comply within the required timeframe.*

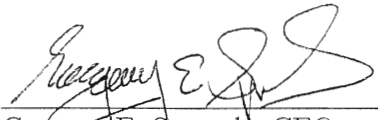
Response:

3. *The Fair somehow was unaware of the necessity to file Form DE 542 and is grateful that this issue has been brought to our attention. The Fair will make every effort to file Form DE542 on an independent contractor within 20 days of either making payments totaling \$600 or more or entering into a contract.*

Respectfully Submitted,



Dan Smith, President, Board of Directors



Gregory E. Sprawls, CEO

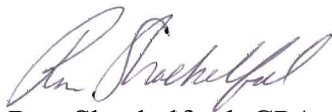
CDFA EVALUATION OF RESPONSE

A draft copy of this report was forwarded to the management of the 54th DAA, Colorado River Country Fair, for its review and response. We have reviewed the response and it adequately addresses the findings contained in this report.

DISPOSITION OF AUDIT RESULTS

The findings in this management report are based on fieldwork that my staff performed between August 31, 2009 and September 4, 2009. My staff met with management on September 8, 2009 to discuss the findings and recommendations, as well as other issues.

This report is intended for the information of the Board of Directors, management, and the Division of Fairs and Expositions. However, this report is a matter of public record and its distribution is not limited.



Ron Shackelford, CPA
Chief, Audit Office

September 8, 2009

REPORT DISTRIBUTION

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1	President, 54th DAA Board of Directors
1	Chief Executive Officer, 54th DAA
1	Director, Division of Fairs and Expositions
1	Chief Counsel, CDFA Legal Office
1	Chief, CDFA Audit Office